

ARTICLE APPEARED
ON PAGE 1NEW YORK TIMES
30 December 1986

CONTRA ARMS PLAN LINKED TO ISRAELI

By STEPHEN ENGELBERG
Special to the New York Times

WASHINGTON, Dec. 29 — Attorney General Edwin Meese 3d has told Congress that Lieut. Col. Oliver L. North told him that the idea of diverting proceeds from the Iran arms sale to Nicaraguan rebels came from a senior Israeli official, according to Congressional sources.

The Congressional account of Mr. Meese's testimony was confirmed today by a Justice Department official. The official said the department had been unable to corroborate Mr. North's reported assertion.

The Israeli Government has repeatedly and emphatically denied any connection to the diversion of money to the Nicaraguan rebels or knowledge that such an operation had taken place.

Statement by North Nov. 23

According to the Congressional sources, Mr. Meese said in a closed committee hearing that Colonel North had described the purported Israeli role when he was questioned by Mr. Meese on Nov. 23.

Colonel North, a marine, was dismissed from the National Security Council staff in the White House last

month after Mr. Meese said that Colonel North had specific knowledge of the plan to divert funds to the Nicaraguan rebels, known as contras. Colonel North's superior, Vice Adm. John M. Poindexter, was allowed to resign.

Colonel North's reported statements to Mr. Meese would suggest a larger Israeli role than has been previously acknowledged. The assertions attributed to Colonel North could not be independently verified.

According to two Congressional sources, Mr. Meese said in his secret testimony that Colonel North had met with an Israeli official about a year ago to discuss the problem of how to funnel aid to the Nicaraguan rebels.

The sources disagreed over whether Mr. Meese had said the official was David Kimche, director general of the Israeli Foreign Ministry. One Congressional source and the Justice Department official said Mr. Meese had identified Mr. Kimche but another Congressional source said he recollected only that an unnamed Israeli official was involved.

When Mr. Kimche was asked about the testimony in a telephone interview today, he said:

"The whole thing is ridiculous. If that is what Oliver North testified to, then he is an unmitigated liar."

In 1984, Congress banned any direct or indirect support to the Nicaraguan

rebels. Private groups, with the encouragement of President Reagan, were seeking to bridge the gap. Mr. North's meeting with the Israeli official took place after the ban.

Mr. Kimche, according to Mr. North's account to the Attorney General, said the United States had three options, the sources said.

The Israeli is said to have suggested that money could be provided from American Government funds or from foreign aid money provided to Israel by the United States. But both of these approaches were unacceptable because they would violate the Congressional ban on aid to the rebels.

Mr. Kimche was then said to have suggested a third option, namely to increase the price of the weapons being sold to Iran and to send the proceeds to the Nicaraguan rebels.

Mr. North has not commented on any aspect of the Iran affair since his interview with the Attorney General. He has refused to testify before Congress, citing his Fifth Amendment right against self-incrimination.

In his news conference on Nov. 25, Mr. Meese surprised the Israeli Government when he publicly asserted that "representatives of Israel" had been involved in the diversion. Describing the diversion of money to the Nicaraguan rebels, he said:

"Bank accounts were established, as best we know, by representatives of the forces in Central America. And this information was provided to representa-

tives of the Israeli Government — or representatives of Israel, I should say — and then these funds were put into the accounts."

No Word on Authorization

Later in the news conference, Mr. Meese was questioned again about the purported Israeli role and said, "We don't know all the facts." This, he said, was "why I am being very careful to say that, as best we know, they were representatives of Israel."

"Whether they were specifically authorized by the Government is one of the things I assume we will find out," he added.

No American official has confirmed Colonel North's reported assertion that the idea of diverting money to the Nicaraguan rebels originated in conversations with an Israeli. As various stories about Colonel North have appeared in recent weeks, people inside and outside the Government have asserted that he embellished aspects of his personal statements.

Mr. Kimche said today that he first heard about the diversion of money when he read about it in a newspaper.

After reviewing his notes and calendars, Mr. Kimche said that he had met Colonel North twice, the first time in Washington in November 1985, when the subject of the conversation was Robert C. McFarlane Jr., who was then considering resigning as national security adviser to the President. The second meeting with Colonel North occurred in December 1985 in London,

when the arms sale to Iran was being discussed with Iranian representatives, Mr. Kimche said.

"I met him for the first time in Washington on Nov. 8, 1985 when I was introduced to him by another American official," the Israeli recalled in the interview.

"The three of us had lunch very near to the White House. This lunch was devoted to North's explaining to me that, in his opinion, Bud McFarlane was faltering in his willingness to remain in his job and considering resignation. They asked if I would try to reinforce him. At no time during the lunch was there any discussion about diverting funds to the contras."